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C O N F I D E N T I A L SECTION 01 OF 03 AMMAN 004133

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PASS TO USTR--E. SAUMS

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TAGS: [ETRD](#) [KTIA](#) [KIPR](#) [PREL](#) [JO](#)  
SUBJECT: JORDAN'S TRADE MINISTER REVIEWS FTA TRADE ISSUES  
FOR JUNE 8 JOINT COMMITTEE MEETING

REF: A. AMMAN 02494  
[1](#)B. AMMAN 03425

Classified By: DCM--D.Hale, Reasons 1.5 (b) and (d).

(CONFIDENTIAL -- ENTIRE TEXT.)

[1](#)1. (C) SUMMARY: DPM and Trade Minister Mohammad Halaiga reviewed with the Ambassador a number of trade issues, most related to the upcoming June 8 meeting of the FTA Joint Committee. Halaiga reported that he had spoken with Israeli DPM and Trade Minister Ehud Olmert regarding accelerated tariff reductions and Olmert had replied that he would tell USTR that Israel had no objections. On rules of origin, Jordan intends to upgrade its trade relationship with Israel and then approach the EU with a list of zero tariff products, preferably with support from the USG. On the DAMAN preinspection issue, Halaiga offered little. He argued that the standards being applied were a combination of U.S. and European standards but agreed on the need to discuss the issue at the JC. Turning to the Government Procurement Agreement, Halaiga was very appreciative of the support of the U.S. delegation in Geneva and hopes that an agreement could be signed by the end of the year, again with U.S. assistance. Halaiga touched on the pharmaceutical and double taxation agreement issues. (This cable will be supplemented with septel presenting post's thinking on the agenda for the JC and proposed strategies.) END SUMMARY.

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ACCELERATED TARIFF REDUCTIONS  
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[1](#)2. (C) On May 20, the Ambassador called on Deputy Prime Minister and Minister of Industry and Trade Mohammad Halaiga to discuss a number of trade issues in the run-up to the June 8 FTA Joint Committee meeting in Washington, DC. After congratulating Halaiga on the success of the just-completed World Economic Forum (WEF), held at the Dead Sea, the Ambassador said that he understood Jordan had discussed with Israel the issue of accelerated tariff reductions. Halaiga replied that indeed he had raised the issue with Israeli Deputy Prime Minister and Minister of Industry and Trade Ehud Olmert during the WEF, in the presence of King Abdullah. Olmert responded that accelerated FTA tariff reductions posed no problem for Israel. Olmert mentioned that he would be traveling shortly to Washington and that he would mention Israel's agreement to the proposal to USTR Robert Zoellick.

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JORDANIAN-ISRAELI TRADE AGREEMENT  
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[1](#)3. (C) The Ambassador asked about the recently-announced trade agreement between Israel and Jordan which was signed at the WEF with considerable press coverage. Halaiga explained that the agreement was a preliminary step needed to enable Jordan and Israel to gain the same QIZ-type treatment with the EU that already exists with the U.S. As part of this process, Jordan will upgrade its relationship with Israel to a "semi-FTA" and negotiate with the EU a zero-tariff list of products. Both Jordan and Israel would need to gain EU support. Halaiga termed the approach "a major step" which would attract good investment to Jordan. The terms of this proposal would undoubtedly differ from those of the QIZs and result in different percentages of Israeli and Jordanian content. In any event, Halaiga requested U.S. support with the EU for the proposal.

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RULES OF ORIGIN  
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[1](#)4. (C) The Ambassador asked what Jordan would be raising at the JC with respect to rules of origin. Halaiga said that Jordan was looking at the possibility of "accumulation of content" under the FTA rules of origin. An accumulation with Singapore could allow Jordan to increase exports to the U.S. as envisioned under the current agreement, although the proposal needs further work at the technical level. Jordan

would hope eventually to be able to accumulate rules of origin with other FTA partners of the U.S., including, eventually, Iraq and the Palestinian Authority.

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DAMAN  
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15. (C) The Ambassador thanked Halaqi for his letter on the DAMAN pre-inspection program (REF B), but emphasized that it did not allay U.S. concerns. DAMAN was still a major concern to the U.S. side. Halaqi referred to the problem of defective goods shipped from the U.S. but of East Asian points of origin. He said that he would bring to the JC a portfolio of pictures of these defective goods. But, he was open to trying to resolve the issue before the JC. When asked again about the use of standards other than U.S. standards under DAMAN, Halaqi said the French inspection company (Bureau Veritas) was doing pre-inspection according to Jordanian standards. He claimed that those standards were composed of both U.S. and European standards. The Ambassador said he remained concerned about the costs of the program and the delays the pre-inspections caused. The mere fact that this program existed was deterring would-be traders. Halaqi replied he believed most of the problems were caused by companies' ignorance of the program. He concluded by saying that the two sides should discuss the issue face-to-face at the JC. He added that Jordan Institute of Standards and Metrology head Ahmed Hindawi would be a part of his delegation. In addition, Hindawi would discuss the DAMAN program at a lunch of 100 companies.

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GOVERNMENT PROCUREMENT AGREEMENT  
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16. (C) The Ambassador asked Halaqi about the apparent slowdown in progress on a Government Procurement Agreement (GPA). His aide, Maha Ali, said that Jordan was interested in an interim solution through a waiver of the Buy America Act. We advised this was unlikely. Halaqi added that the last GPA negotiations at the WTO in Geneva had been successful and the U.S. delegation had been very supportive, despite EU pressure on the threshold being discussed. Ali said that the time-frame depends on the progress of the WTO negotiations; Halaqi said Jordan could sign an agreement as soon as the negotiations were complete. He asserted that if Jordan attempted a bilateral GPA, Singapore, which had just signed an FTA with Jordan, would object. For this reason, Jordan preferred the multilateral approach. Jordan had modified its original offer and this version had been well received in Geneva. If it can, Jordan is willing to speed up this process. He added that the draft legislation of the GPA was ongoing and should be ready for presentation to the Cabinet by September 2004. (Note: The USG through USAID is supporting much of the legal and technical work being done by the GPA. End Note.)

17. (C) After checking with an aide, Halaqi added that Jordan had agreed with the U.S. Mission in Geneva on the need to negotiate multilaterally and that Jordan may submit a revised entity offer to the WTO this summer. Jordan will try to reduce the transmission time and submit the proposal to the WTO in October and the agreement could be signed by the end of the year. The U.S. and Jordan could coordinate and the U.S. could help press the Europeans to accept Jordan's offer, he suggested. (Comment: The timing Halaqi suggests may be optimistic. Several of the working-level Jordanian officials involved expect the process may take as long as 18 months. End comment.)

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JABA ATTENDING THE JC  
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18. (C) The Ambassador welcomed the announcement that the Jordanian-American Business Association would be accompanying the Jordanian delegation to the JC. Halaqi added that he might also go to New York for meetings with the textile industry en route to King Abdullah's private sector promotion visit to Chicago. Halaqi would travel with members of Jordan's new textile trade association, JGATE. (Note: The USG, again through USAID, is partially supporting four to six members of the JABA private sector delegation attending the JC. End Note.)

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MERCK'S OSTEOPOROSIS DRUG PROBLEM  
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19. (C) Regarding Merck's problem with the osteoporosis drug, Fosamax, Halaqi said the issue was still in the courts. In response to the Ambassador's assertion that the decision should be a regulatory one, Halaqi responded that there were merits to that point, but on balance, it was felt this was a

matter for the courts to decide. Nevertheless, he said that he would bring an official from Jordan's Food and Drug Administration to the JC. (Comment: Merck's original case was thrown out by the court because the filing was late. Merck is still considering whether to have its regional arm re-file, an approach allowed under Jordanian law. End Comment.)

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DOUBLE TAXATION  
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110. (C) Halaiga brought up his interest in an agreement on avoidance of double taxation. The USAID representative attending reported that USAID had done some preliminary work on this, funding a study which indicated that such an agreement might undercut Jordan's tax revenues. Halaiga commented that Jordan collected no taxes from Jordanians living in the U.S. (Note: USAID is preparing a full study on this issue that should be completed by the end of August 2004. Additionally, USAID is investigating the issue of financial disclosure, a former stumbling block in negotiations. End Note.)  
GNEHM